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**FISCAL IMPACT STATEMENT**

**LS 7488**

**BILL NUMBER:** HB 1518

**NOTE PREPARED:** Feb 28, 2005

**BILL AMENDED:** Feb 24, 2005

**SUBJECT:** Telecommunications Regulatory Reform.

**FIRST AUTHOR:** Rep. Murphy

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill specifies that a person or an entity that transmits communications over Internet Protocol-enabled services is not a public utility subject to the regulation of the Utility Regulatory Commission (IURC). It prohibits the IURC from exercising jurisdiction over: (1) advanced and broadband services; and (2) information services. After June 30, 2007, it prohibits the IURC from exercising jurisdiction over any nonbasic telecommunications service.

The bill specifies that if a provider raises certain recurring rates, the provider shall continue to offer a flat monthly rate with unlimited local calling for basic telecommunications services. After June 30, 2010, it prohibits the IURC from exercising jurisdiction over: pricing, terms, and conditions for basic telecommunications service. The bill also requires the IURC to establish reasonable pricing for unbundled network elements, the resale of telecommunications services, and interconnection in accordance with the federal Telecommunications Act of 1996.

The bill requires the IURC to biennially identify and eliminate telecommunications regulations no longer necessary due to advances in technology and competition. It specifies that duties to provide dual party relay services for the hearing and speech impaired apply to providers of advanced, broadband, and other Internet services. It specifies the rights and obligations of providers of last resort, exiting providers, and successor providers. The bill allows the IURC to retain jurisdiction over the provision of 211 services.

The bill also requires the IURC to submit to the Regulatory Flexibility Committee (the "committee") a report that includes an analysis of various issues concerning the telecommunications industry, including the status of competition in the industry and the availability of various telecommunication services in Indiana. The bill

requires the IURC to submit its report to the Committee not later than November 15, 2006. It requires the IURC to include in the report any recommendations for proposed legislation concerning the industry that the IURC determines to be in the public interest.

The bill also requires the IURC to retain jurisdiction over the rates that may be charged by an incumbent local exchange carrier to a pay phone service provider.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** (Revised) This bill removes entities that transmit communications over the Internet from the definition of a public utility. It also prohibits the IURC from exercising jurisdiction over any nonbasic telecommunications services and the pricing, terms, and conditions for basic telecommunications service. Removing these responsibilities from the IURC should reduce the agency's administrative burden. Because the Commission's responsibilities encompass all utility types, it is unknown what proportion of the Commission's spending is related to telecommunications.

The bill also requires the IURC to report to the Regulatory Flexibility Committee on its analysis of the following: rates and charges associated with bundled and packaged services and various issues concerning the telecommunications industry, including the status of competition in the industry and the availability of various telecommunication services in Indiana. The bill requires the IURC to report to the Committee by November 15, 2006 and may be made in conjunction with its annual report to the Committee.

**Explanation of State Revenues:** (Revised) *Public Utility Fund:* The operating budgets of the IURC and the Office of the Utility Consumer Counselor (OUCC) are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2004, fees from the utilities and fines generated approximately \$10.6M.

This bill removes entities that transmit communications over the Internet from the definition of a public utility. Therefore, these entities will no longer be required to pay the Public Utility Fee. Revenue to the Public Utility Fund will not decrease, however. Because the Commission bases its Public Utility Fee on the gross revenue of public utilities, the rate will increase for the remaining public utilities to create a fee that will generate the necessary amount of revenue.

*Rates & Charges:* Although the Commission will retain its jurisdiction over the provision of 211 services, telecommunications carriers providing basic telecommunications will no longer be subject to the Commission's approval for setting rates and charges for service. Such services are subject to the state Sales Tax. Revenues generated by telecommunications carriers' services may increase or decrease subject to fluctuation in the carriers' rates and charges. State Sales Tax revenue is deposited in the following funds: General Fund, Property Tax Replacement Fund, Public Mass Transportation Fund, Industrial Rail Service Fund, and the Commuter Rail Service Fund.

The IURC is to retain jurisdiction over the rates that may be charged by an incumbent local exchange carrier to a pay phone service provider.

**Explanation of Local Expenditures:** Municipal utilities are not subject to the Public Utility Fee.

**Explanation of Local Revenues:**

**State Agencies Affected:** Indiana Utility Regulatory Commission.

**Local Agencies Affected:**

**Information Sources:** Indiana Utility Regulatory Commission.

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